



Okhahlamba Local Municipality
(Registration number KZN 235)
Annual Financial Statements
for the year ended 30 June 2018

Okhahlamba Local Municipality

(Registration number KZN 235)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	KZN 235
Capacity	Low
Nature of business and principal activities	<p>Service Delivery: Rates,Waste Management and General services. Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development. The mandate of the municipality is in terms of section 152 of the Constitution of South Africa.</p>
Accounting Officer	<p>Mr S.D. Sibande BAed, BTech Management,CPMD,MBA</p>
Councillors	<p>Mayor - Cllr. MG Ndlangisa Deputy Mayor - Cllr. TG Ngozo Speaker - Cllr. SA Zulu Member of the Executive Committee - Cllr. TA Sigubudu Member of the Executive Committee - Cllr. KI Hadebe Member of the Executive Committee - Cllr. BM Dlamini</p> <p>Cllr. ENN Bhengu Cllr. MP Vilakazi Cllr. MJ Hadebe Cllr. MH Msimango Cllr. ZS Khoza Cllr. SR Mlambo Cllr. KS Dladla Cllr. PP Sigubudu Cllr. MMS Vilakazi Cllr. K Simelane Cllr. PAM Mfuphi Cllr. BP Mkhize (Deceased) Cllr. MI Dlamini Cllr. S Ndimande Cllr. TDJ Van Rensburg Cllr. IM Buthelezi</p> <p>Cllr. K Langa Cllr. SM Hlongwane Cllr. SM Buthelezi Cllr. JE Nqubuka Cllr. NA Mdakane Cllr. FE Buthelezi Cllr. SC Hadebe Cllr.RK Hlongwane</p>

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General Information

Registered office

259 Kingsway Road
Bergville
Tel: 036 448 8000
communications@okhahlamba.gov.za

Postal address

P. O. Box 71
Bergville
3350

Bankers

First National Bank, ABSA Bank and Investec Bank

Auditors

Auditor General of South Africa

Preparer

The annual financial statements were internally compiled by:
Senior Accountant and reviewed by Chief Financial Officer and
Internal Audit

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SARS	South African Revenue Services
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretation of Generally Recognised Accounting Practice
LG SETA	Local Government Sectorial Education and Training Authority
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
WCF	Workman's Compensation Fund
COGTA	Co-operative Governance and Traditional Affairs
SETA WIL	Sectorial Education and Training Authority Work Integrated Learning
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
INEP	Integrated National Electrification Programme

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Approval of Annual Financial Statements

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 63, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2018

Mr S.D. Sibande
BAed,BTech Management,CPMD,MBA

Date of Signature

Friday, 31 August 2018

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	6	357 276	534 801
Receivables from non - exchange transactions	7	625 415	608 450
VAT receivable	8	6 937 455	4 360 214
Consumer debtors	9	20 451 540	15 573 712
Cash and cash equivalents	11	29 591 731	31 376 087
		57 963 417	52 453 264
Non-Current Assets			
Property, plant and equipment	3	351 075 196	292 037 428
Intangible assets	4	948 539	1 299 846
Receivables from exchange transactions	6	694 444	-
		352 718 179	293 337 274
Non-Current Assets		352 718 179	293 337 274
Current Assets		57 963 417	52 453 264
Total Assets		410 681 596	345 790 538
Liabilities			
Current Liabilities			
Finance lease obligation	12	5 914 899	4 470 332
Payables from exchange transactions	15	24 722 669	19 962 313
Employee benefit obligation	5	214 000	203 000
Unspent conditional grants and receipts	13	10 490 755	19 725 059
Provisions	14	810 065	766 460
		42 152 388	45 127 164
Non-Current Liabilities			
Finance lease obligation	12	16 666 973	1 715 376
Employee benefit obligation	5	2 287 889	2 114 693
Provisions	14	4 286 106	4 029 504
		23 240 968	7 859 573
Non-Current Liabilities		23 240 968	7 859 573
Current Liabilities		42 152 388	45 127 164
Total Liabilities		65 393 356	52 986 737
Assets		410 681 596	345 790 538
Liabilities		(65 393 356)	(52 986 737)
Net Assets		345 288 240	292 803 801
Accumulated surplus		345 288 240	292 803 801

* See Note 34

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	2 438 098	2 022 856
Rendering of services		458 769	382 554
Rental of facilities and equipment		176 512	81 153
Agency services		3 161 995	2 500 252
Other income	20	550 493	525 282
Interest received	25	3 859 240	3 357 608
Total revenue from exchange transactions		10 645 107	8 869 705
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	16	28 711 407	25 191 199
Property rates - penalties imposed	16	5 554 215	4 546 727
Transfer revenue			
Government grants & subsidies	18	184 728 810	165 515 396
Public contributions and donations	19	-	243 838
Fines		740 529	830 575
Subsidies		1 285 523	1 394 359
Total revenue from non-exchange transactions		221 020 484	197 722 094
		10 645 107	8 869 705
		221 020 484	197 722 094
Total revenue		231 665 591	206 591 799
Expenditure			
Employee related costs	22	(67 005 019)	(53 037 066)
Remuneration of councillors	23	(10 282 060)	(9 147 871)
Retirement benefits		(184 751)	(216 215)
Depreciation and amortisation	26	(19 015 224)	(17 925 293)
Impairment loss/ (Reversal) of impairments		(489 998)	-
Finance costs	27	(1 272 882)	(1 034 235)
Operating lease	29	(1 566 089)	(739 572)
Debt impairment	24	(8 577 707)	(13 319 073)
Landfill rehabilitation		(129 340)	(79 024)
General expenses	21	(69 840 515)	(81 916 946)
Total expenditure		(178 363 585)	(177 415 295)
		-	-
Total revenue		231 665 591	206 591 799
Total expenditure		(178 363 585)	(177 415 295)
Operating surplus		53 302 006	29 176 504
Loss on disposal of assets		(817 954)	(65 688)
Actuarial gains/(losses)	5	383	236 263
		(817 571)	170 575
Operating surplus/deficit		(817 571)	170 575
Surplus before taxation		52 484 435	29 347 079
Taxation		-	-
Surplus for the period		52 484 435	29 347 079

* See Note 34

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	263 456 722	263 456 722
Changes in net assets		
Surplus for the period	29 347 079	29 347 079
Total changes	29 347 079	29 347 079
Opening balance as previously reported	297 932 164	297 932 164
Adjustments		
Prior year adjustments	(5 128 359)	(5 128 359)
Restated* Balance at 01 July 2017	292 803 805	292 803 805
Changes in net assets		
Surplus for the year	52 484 435	52 484 435
Total changes	52 484 435	52 484 435
Balance at 30 June 2018	345 288 240	345 288 240

* See Note 34

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Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, and other		29 088 121	28 025 011
Grants		175 494 506	164 907 544
Interest income		3 859 240	3 357 608
		<u>208 441 867</u>	<u>196 290 163</u>
Payments			
Employee costs		(77 287 079)	(61 948 674)
Suppliers		(67 779 905)	(77 495 079)
Finance costs		(1 272 883)	(1 034 235)
		<u>(146 339 867)</u>	<u>(140 477 988)</u>
Total receipts		208 441 867	196 290 163
Total payments		(146 339 867)	(140 477 988)
Net cash flows from operating activities	30	62 102 000	55 812 175
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(79 767 435)	(61 642 676)
Proceeds from disposal of assets	3	843 441	476 496
Purchase of other intangible assets	4	(97 200)	(852 788)
Proceeds from sale of other intangible assets	4	11 558	2 885
Net cash flows from investing activities		(79 009 636)	(62 016 083)
Cash flows from financing activities			
Finance lease payments		15 123 282	(3 851 145)
Net cash flows from financing activities		15 123 282	(3 851 145)
Net increase/(decrease) in cash and cash equivalents		(1 784 354)	(10 055 053)
Cash and cash equivalents at the beginning of the year		31 376 087	41 431 156
Cash and cash equivalents at the end of the year	11	29 591 733	31 376 103

* See Note 34

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	616 778	1 559 060	2 175 838	2 438 098	262 260	a
Rendering of services	375 119	233 661	608 780	458 769	(150 011)	b
Rental of facilities and equipment	63 956	22 924	86 880	176 512	89 632	c
Agency Services	2 463 507	404 234	2 867 741	3 161 995	294 254	d
Other income	421 372	56 786	478 158	550 493	72 335	e
Interest received - investment	3 139 175	-	3 139 175	3 859 240	720 065	f
Total revenue from exchange transactions	7 079 907	2 276 665	9 356 572	10 645 107	1 288 535	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	31 716 748	-	31 716 748	28 711 407	(3 005 341)	g
Property rates - penalties imposed	5 358 671	-	5 358 671	5 554 215	195 544	h
Transfer revenue						
Government grants & subsidies	174 288 774	10 685 491	184 974 265	184 728 810	(245 455)	i
Fines	484 855	-	484 855	740 529	255 674	j
Subsidies	1 152 000	97 861	1 249 861	1 285 523	35 662	k
Total revenue from non-exchange transactions	213 001 048	10 783 352	223 784 400	221 020 484	(2 763 916)	
'Total revenue from exchange transactions'	7 079 907	2 276 665	9 356 572	10 645 107	1 288 535	
'Total revenue from non-exchange transactions'	213 001 048	10 783 352	223 784 400	221 020 484	(2 763 916)	
Total revenue	220 080 955	13 060 017	233 140 972	231 665 591	(1 475 381)	
Expenditure						
Employee related costs	(60 513 211)	(6 543 222)	(67 056 433)	(67 005 019)	51 414	
Remuneration of councillors	(9 198 192)	(1 124 578)	(10 322 770)	(10 282 060)	40 710	
Retirement benefits	(24 913)	(159 838)	(184 751)	(184 751)	-	
Depreciation and amortisation	(23 868 930)	3 468 949	(20 399 981)	(19 015 224)	1 384 757	l
Impairment loss/ Reversal of impairments	-	(491 000)	(491 000)	(489 998)	1 002	
Finance costs	(2 606 382)	1 266 220	(1 340 162)	(1 272 882)	67 280	m
Lease rentals on operating lease	(1 111 602)	(1 116 985)	(2 228 587)	(1 566 089)	662 498	n
Debt Impairment	(4 821 100)	-	(4 821 100)	(8 577 707)	(3 756 607)	o
Landfill Rehabilitation	-	(200 000)	(200 000)	(129 340)	70 660	p
General Expenses	(68 261 494)	(1 629 758)	(69 891 252)	(69 840 515)	50 737	
Total expenditure	(170 405 824)	(6 530 212)	(176 936 036)	(178 363 585)	(1 427 549)	
	220 080 955	13 060 017	233 140 972	231 665 591	(1 475 381)	
	(170 405 824)	(6 530 212)	(176 936 036)	(178 363 585)	(1 427 549)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operating surplus	49 675 131	6 529 805	56 204 936	53 302 006	(2 902 930)	
Loss on disposal of assets and liabilities	-	-	-	(817 954)	(817 954)	q
Actuarial gains/losses	-	-	-	383	383	r
	-	-	-	(817 571)	(817 571)	
	49 675 131	6 529 805	56 204 936	53 302 006	(2 902 930)	
	-	-	-	(817 571)	(817 571)	
Surplus after gains/losses	49 675 131	6 529 805	56 204 936	52 484 435	(3 720 501)	
Surplus for the period	49 675 131	6 529 805	56 204 936	52 484 435	(3 720 501)	
	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	49 675 131	6 529 805	56 204 936	52 484 435	(3 720 501)	

Significant increase/decrease above and below 10% is explained as per the below;

- a) Service Charges: Khethani Township household were not given/offered rebates on refuse collection.
- b) Rendering of Services: Building plan, Burial fees and Bill board income performance was lower than what was projected.
- c) Rental of facilities: The municipality entered into a lease to lease out Fresh Produce Centre and higher /increased number of people using community hall.
- d) Agency services: More income/turnover from the testing centre than what was initially anticipated.
- e) Other income: Sundry revenue recognised from unclaimed monies from prior year.
- f) Interest received - investments: The municipality has anticipated less interest on investments than what was the municipality actually received.
- g) Property rates: Additional rebate were offered to communal landowners however the budget did not provide /carter for such rebate.
- h) Property rates penalties: The collection period has increased and more penalties have been imposed on outstanding debtors than what was anticipated.
- i) Unspent Grant: Conditional Grant for operational of Fresh Produce centre.
- j) Fines: The law enforcement section issued more fines than what was initially anticipated.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

k) Subsidies: LGSETA training subsidy received which was not budgeted for.

l) Depreciation and amortisation: The Municipality made a provision for work in progress in estimating the depreciation budget, however R68 513 872 worth of asset still under construction, this had an impact on the actual of depreciation.

m) Finance costs: The anticipated finance lease commenced later than what was expected hence lower interest charges

n) Lease rental on operating lease: Due to straight lining of lease payment over the lease period, the municipality paid in advance an amount of R1 250 000 and Budgeted for the actual cash outflow of R1 250 000, yet the Municipality can only recognise R2777 778 in 2017/2018.

o) Debt impairment: Increase in consumer debtors lead to increase in the provision for doubtful debts

p) Landfill rehabilitation: Change in the discount rate on land site provision.

q) Actuarial gains/(loss): The municipality did not anticipate any loss on disposal of asset in 2017/2018 financial year.

r) Actuarial gains/losses: Actuarial gains/losses not anticipated during the budget process.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Position

Assets

Capital Budget	75 906 000	11 952 109	87 858 109	79 864 635	(7 993 474)	
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Okhahlamba Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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Accounting Policies

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30
Plant and machinery	Straight line	3 - 15
Motor vehicles	Straight line	7-10
Office equipment	Straight line	3 - 10
IT equipment	Straight line	3 - 10
Infrastructure	Straight line	
• Roads - Gravel		3 - 10
• Roads - Tar		10 - 15
• Paving		5 - 30
Community	Straight line	
• Solid waste disposal		5 - 25
• Community Assets		5 - 30
Leased Assets	Straight line	3 - 5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

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Accounting Policies

1.3 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 5 years

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1.4 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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1.5 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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Accounting Policies

1.5 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

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Accounting Policies

1.5 Financial instruments (continued)

- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions.

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Accounting Policies

1.5 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is 10 to 12%

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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1.7 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

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1.8 Impairment of non-cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.9 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

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1.9 Employee benefits (continued)

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset .

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances up to the reporting date.

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1.9 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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Accounting Policies

1.10 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

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Accounting Policies

1.10 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the various site discounted back to the statement of position at the cost of capital, which is currently 3.63% (2017: 2.5%).

The municipality has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular year for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

The asset is measured using the cost model :

- a) subject to (b), changes in the liability are added to, deducted from, the cost of the related assets in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
 - Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- Commitments are disclosed inclusive of VAT.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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Accounting Policies

1.12 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified timeframe unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

IGRAP 1

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

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Accounting Policies

1.15 Accounting by principals and agents (continued)

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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Accounting Policies

1.20 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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2. New standards and interpretations

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 561 868	-	3 561 868	3 562 868	-	3 562 868
Buildings	186 434 535	(23 891 860)	162 542 675	145 621 382	(20 038 842)	125 582 540
Plant and machinery	6 794 761	(1 871 326)	4 923 435	4 803 947	(1 126 071)	3 677 876
Motor vehicles	45 770 976	(21 728 668)	24 042 308	6 302 371	(1 961 445)	4 340 926
Office equipment	4 074 180	(2 519 009)	1 555 171	4 314 494	(2 121 194)	2 193 300
IT equipment	3 495 498	(1 682 625)	1 812 873	3 175 927	(1 401 185)	1 774 742
Infrastructure	194 044 655	(42 374 430)	151 670 225	180 514 164	(36 879 996)	143 634 168
Community	4 461 804	(3 495 163)	966 641	4 389 592	(3 167 908)	1 221 684
Leased Assets	-	-	-	21 527 231	(15 477 907)	6 049 324
Total	448 638 277	(97 563 081)	351 075 196	374 211 976	(82 174 548)	292 037 428

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Work in progress	Disposals	Other movements	Depreciation	Impairment loss	Total
Buildings	125 582 540	-	40 813 153	-	-	(3 853 018)	-	162 542 675
Community	1 221 684	159 368	-	(64 547)	-	(129 167)	(220 697)	966 641
IT equipment	1 774 742	631 081	-	(71 804)	-	(521 146)	-	1 812 873
Infrastructure	143 634 168	767 204	17 279 942	(1 399 768)	-	(8 342 021)	(269 300)	151 670 225
Land	3 562 868	-	-	(1 000)	-	-	-	3 561 868
Leased Assets	6 049 324	-	-	-	(6 049 324)	-	-	-
Motor vehicles	4 340 926	17 967 054	-	-	6 049 324	(4 314 996)	-	24 042 308
Office equipment	2 193 300	8 500	-	(64 774)	-	(581 855)	-	1 555 171
Plant and machinery	3 677 876	2 141 133	-	(59 502)	-	(836 072)	-	4 923 435
	292 037 428	21 674 340	58 093 095	(1 661 395)	-	(18 578 275)	(489 997)	351 075 196

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Work - In - Progress	Disposals	Transfers	Depreciation	Total
Buildings	101 761 644	691 843	27 394 008	-	-	(4 264 955)	125 582 540
Community	1 074 922	227 499	-	(2 498)	-	(78 239)	1 221 684
IT equipment	1 580 002	670 000	-	(37 204)	22 360	(460 416)	1 774 742
Infrastructure	122 742 965	191 345	28 625 271	-	-	(7 925 413)	143 634 168
Land	3 562 868	-	-	-	-	-	3 562 868
Leased Assets	8 838 324	-	-	(46 584)	(22 360)	(2 720 056)	6 049 324
Motor vehicles	3 983 384	1 629 488	-	(411 655)	-	(860 291)	4 340 926
Office equipment	2 228 208	611 408	-	(12 152)	-	(634 164)	2 193 300
Plant and machinery	2 722 060	1 601 814	-	(32 091)	-	(613 907)	3 677 876
	248 494 377	5 623 397	56 019 279	(542 184)	-	(17 557 441)	292 037 428

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Pledged as security assets

Opening balance for leased assets have now been classified under Motor Vehicles.

Included in the Motor Vehicles is an amount of R 21 974 053 and included in the IT Equipment is an amount of R 183 328

leased assets pledged as a security to Wesbank and ABSA for plant and machinery bought through finance lease contract.

Reconciliation of Work-in-Progress 2018

	Included within Buildings	Included within Infrastructure	Total
Opening balance	30 707 193	9 060 239	39 767 432
Additions/capital expenditure	40 813 153	17 279 942	58 093 095
Transferred to completed items	(10 933 705)	(18 412 950)	(29 346 655)
	60 586 641	7 927 231	68 513 872

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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Buildings	Included within Infrastructure	Total
Opening balance	11 201 315	12 854 555	24 055 870
Additions/capital expenditure	27 394 008	28 625 270	56 019 278
Transferred to completed items	(7 888 130)	(32 419 587)	(40 307 717)
	30 707 193	9 060 238	39 767 431

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Amount paid to employees	3 737 301	3 226 566
Amount paid to suppliers	4 633 098	1 849 087
Materials	1 400 259	3 311 658
Fuel and oil	888 914	1 490 915
	10 659 572	9 878 226

Repairs and maintenance on Property Plant and Equipment is detailed as follows:

Contracted services is the amount paid to suppliers R4 633 0985, classified under general expenses as sub-contracting services in the Statement of Financial Performance.

Employee related costs is the amount paid to employees R3 737 301, classified under employee related costs in the Statement of Financial Performance.

Materials of R1 400 259 are classified under general expenses as consumables in the Statement of Financial Performance.

General expenses (Fuel and oil) R888 913 is classified under general expenses in the Statement of Financial Performance.

Property Plant and Equipment that is being constructed/developed

Early Childhood Development Centres (Ward 9,8,5 and 13)	6 542 819	5 363 911
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Included in property plant and equipment (under construction) is a project that has been identified as taking a significant longer period of time to complete than expected. The reason was poor performance from a contractor, the contract was terminated and a new contractor was appointed.

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4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 153 969	(1 205 430)	948 539	2 417 335	(1 117 489)	1 299 846

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1 299 846	97 200	(11 558)	(436 949)	948 539

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	817 792	852 788	(2 885)	(367 849)	1 299 846

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5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality operates an accredited medical aid scheme. The post retirement medical aid plan, to which 2018: 1 member belongs, consists of the Key Health Medical Scheme. Pensioners continue on the option they belong to on the day of their retirement.

The independent valuers, carried out a statutory valuation as at 30 June 2018.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.28 %	8.31 %
Health care cost inflation rate	7.08 %	7.11 %
Benchmark inflation (equal to salary inflation)	5.58 %	5.61 %

The amounts recognised in the statement of financial position were

Post retirement medical obligation	212 899	202 703
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Reconciliation of the movement in the liability

Opening balance	202 703	201 751
Interest cost	15 751	17 443
Expected employee benefit payments	(31 172)	(28 228)
Actuarial (gain) / Loss	25 617	11 737
	212 899	202 703

Net expense recognised in the statement of financial performance

Interest cost	15 751	17 443
Expected employee benefit payments	(31 172)	(28 228)
Actuarial (gain) / Loss	25 617	11 737
	10 196	952

Post retirement pension plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2018 interim valuations have not been released.

Superannuation funds

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2017 concluded that:

The Fund's liabilities for service to the valuation date was 100% (2017: 100 %) funded on the discounted cash flow method

At the valuation date:

The fund is 100% funded on the "best estimate" funding basis as at the valuation date, and is also not fully funded on the "financial soundness" basis incorporating the full solvency reserve.

There was no deficit in respect of active members. A surcharge of 9.5% of pensionable salaries is payable.

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5. Employee benefit obligations (continued)

Retirement fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2017 reflected:

The memorandum account in respect of pensioners was 95.3% funded

Based on the valuation assumptions applied in 2016, the Fund was fully funded, however based on revised assumptions the Funds liabilities for the contributory members exceeded the value of the assets and an extension of the surcharge for another 5 years would be necessary to return the funding level to 100%.

The statutory actuarial valuation carried out on the retirement fund as at 31 March 2017 reflected:

The Fund is 100% (2016: 93.8%) funded as at the valuation date at the overall level. A number of members is steadily reducing, due to members electing to transfer to one of other Natal Joint Funds or external fund. A recommendation is the current surcharge of 21.65% of pensionable salaries continues to be paid in order to build up the Solvency Reserve to the full theoretical level.

Provident fund

The latest statutory valuation of the Provident Fund was performed as at 31 March 2017.

Long service awards

The independent valuers, carried out a statutory valuation on the long service leave benefit on 30 June 2018.

The principal actuarial assumptions used were as follows:

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5. Employee benefit obligations (continued)		
Discount rate per annum	9.32 %	8.37 %
Inflation rate per annum	6.38 %	5.66 %
Salary increase rate per annum	7.38 %	6.66 %
Active members	129	118
The amounts recognised in the statement of financial position		
Post retirement gratuity obligation	2 288 990	2 114 990
Reconciliation in the movement of liability		
Opening balance	2 114 990	2 135 990
Past service cost	-	-
Interest cost	169 000	207 000
Expected employee benefit payments / current service cost	234 000	263 000
Actuarial gain / (loss)	(26 000)	(248 000)
Less municipality paid benefits	(203 000)	(243 000)
	2 288 990	2 114 990
Net expense recognised in the statement of financial performance		
Past service cost	-	-
Interest cost	169 000	207 000
Expected employee benefit payments / current service cost	234 000	263 000
Actuarial gain / (loss)	(26 000)	(248 000)
	377 000	222 000
In conclusion		
Statement of financial position obligation for		
Post - employer medical benefits	212 899	202 703
Long service awards	2 288 990	2 114 990
	2 501 889	2 317 693
Statement of financial performance obligation for		
Post - employer medical benefits	10 196	952
Long service awards	377 000	222 000
	387 196	222 952
Post-employment medical benefit (gains) and losses		
Post - employer medical benefits gain / (loss)	25 617	11 737
Long service awards gain / (loss)	(26 000)	(248 000)
	(383)	(236 263)
6. Receivables from exchange transactions		
Current assets		
Operating lease receivables (Fresh Produce)	12 800	-
Operating lease receivables (Landfill site)	277 778	-
Accrued interest	46 488	534 801
Debtor: Pitney Bowes	20 210	-
	357 276	534 801

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Figures in Rand	2018	2017
6. Receivables from exchange transactions (continued)		
Non current assets		
Operating lease receivables (Landfill site)	694 444	-
	-	-
	694 444	-
7. Receivables from non - exchange transactions		
Fines	605 098	478 046
Sundry Debtors	17 994	123 156
Other receivables - Staff Debtors	2 323	7 248
	625 415	608 450
Reconciliation of Receivable from non exchange - Traffic fines		
Gross balance	1 351 577	1 040 586
Debt Impairment	(746 479)	(562 540)
	605 098	478 046
Reconciliation of provision for impairment of receivables from non - exchange transactions		
Opening balance	(562 540)	(319 168)
Provision for impairment	(183 938)	(243 372)
	(746 478)	(562 540)
8. VAT receivable		
VAT	6 937 455	4 360 214
All 2017/18 Vat 201's were submitted to SARS up until 30 June 2018. Accounting treatment for VAT is on cash basis.		
9. Consumer debtors		
Gross balances		
Rates	32 238 051	27 158 735
Refuse	2 970 549	611 313
Other debtors	18 563 666	12 918 658
	53 772 266	40 688 706
Less: Allowance for impairment		
Rates	(19 976 753)	(17 690 624)
Refuse	(1 840 741)	(335 449)
Other	(11 503 232)	(7 088 921)
	(33 320 726)	(25 114 994)
Net balance		
Rates	12 261 298	9 468 111
Refuse	1 129 808	275 864
Other	7 060 434	5 829 737
	20 451 540	15 573 712

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9. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	3 767 577	2 175 098
31 - 60 days	1 153 814	1 349 328
61 - 90 days	913 651	1 214 251
91 - 120 days	780 318	1 007 458
121 - 150 days	706 793	5 984 391
> 151 days	24 915 898	20 509 114
	32 238 051	32 239 640
Refuse		
Current (0 -30 days)	387 596	53 945
31 - 60 days	180 457	38 998
61 - 90 days	184 886	24 756
91 - 120 days	183 354	15 783
121 - 150 days	182 160	122 094
> 151 days	1 853 096	355 737
	2 971 549	611 313
Other debtors		
Current (0 -30 days)	1 069 658	476 601
31 - 60 days	481 276	495 543
61 - 90 days	476 738	457 220
91 - 120 days	457 051	461 465
121 - 150 days	911 434	3 343 277
> 151 days	15 167 509	7 684 552
	18 563 666	12 918 658
Reconciliation of allowance for impairment		
Balance at beginning of the year	(25 114 995)	(12 335 367)
Contributions to allowance	(8 354 829)	(13 075 701)
Debt impairment written off against allowance	149 097	296 073
	(33 320 727)	(25 114 995)

Other debtors per service type consists of interest charged on arrear accounts.

Consumer debtors impairment analysis

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R3 867 076 (2017: R 3 491 824) were past due but not impaired.

The ageing of amounts past due but not impaired and those impaired is as follows:

Amount not past due or impaired	3 493 665	2 809 355
Amount past due but not impaired	3 867 076	3 491 824
Amount past due and impaired	46 412 361	39 468 432
	53 773 102	45 769 611

Consumer debtors impaired

As of 30 June 2018, consumer debtors of R46 412 361 (2017: R 39 468 432) were impaired and provided for.

The amount of the provision was R 33 320 726 as of 30 June 2018 (2017: R 25 114 995).

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Figures in Rand	2018	2017
10. Consumer debtors disclosure		
Gross balances		
Organ of the State	12 077 582	14 109 321
Commercial	3 391 281	1 458 283
Households	9 047 971	5 730 634
Other	29 256 269	19 390 468
	53 773 103	40 688 706
Less: Allowance for impairment		
Organ of the State	(10 134 219)	(3 138 374)
Commercial	(474 756)	(243 828)
Households	(6 026 957)	(8 229 461)
Other	(16 684 795)	(13 503 331)
	(33 320 727)	(25 114 994)
Net balance		
Organ of the State	1 943 363	10 970 947
Commercial	2 916 525	1 214 455
Households	3 021 014	(2 498 827)
Other	12 571 474	5 887 137
	20 452 376	15 573 712
Organ of State		
Current (0 -30 days)	1 283 345	518 225
31 - 60 days	535 470	550 181
61 - 90 days	535 125	540 748
91 - 120 days	525 524	532 156
121 - 150 days	712 794	3 246 521
> 150 days	16 558 041	8 721 490
	20 150 299	14 109 321
Commercial		
Current (0 -30 days)	1 183 225	310 673
31 - 60 days	414 751	133 439
61 - 90 days	197 922	105 866
91 - 120 days	97 391	85 388
121 - 150 days	108 378	267 452
> 150 days	1 495 333	555 465
	3 497 000	1 458 283
Household		
Current (0 -30 days)	1 389 918	680 251
31 - 60 days	520 642	440 863
61 - 90 days	470 283	379 584
91 - 120 days	446 356	325 939
121 - 150 days	486 806	2 060 946
>150 days	5 912 337	4 156 947
	9 226 342	8 044 530

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10. Consumer debtors disclosure (continued)

Other

Current (0 -30 days)	1 597 795	1 196 496
31 - 60 days	435 595	759 388
61 - 90 days	399 794	670 030
91 - 120 days	377 203	541 223
121 - 150 days	548 483	3 874 833
> 180 days	16 665 776	11 712 850
credit balances	874 816	635 648
	20 899 462	19 390 468

Included in Other is Agricultural, Industrial, Tourism, Privately Developed Estates properties.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Short-term deposits	26 098 785	28 869 275
Cash on hand	6 195	6 195
Bank balances	3 486 751	2 500 617
	29 591 731	31 376 087

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
First National Bank:	3 486 751	2 500 617	3 486 751	2 500 617
51660362710 Cheque Account				
First National Bank:	292 636	-	-	292 636
62752942063: Cheque Account				
First National Bank:	8 647 150	13 344 484	8 647 150	13 344 484
74484485427 Fixed Deposit				
Absa Bank: 2074514859: Fixed	13 247 162	11 860 290	13 247 162	11 860 290
Deposit				
Investec : 1100463208500	3 911 837	3 664 502	3 911 837	3 664 502
Total	29 585 536	31 369 893	29 585 536	31 369 893

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Figures in Rand	2018	2017
12. Finance lease obligation		
Minimum lease payments due		
- within one year	7 095 566	5 017 800
- in second to fifth year inclusive	20 737 026	1 792 658
	27 832 592	6 810 458
less: future finance charges	(5 250 674)	(624 751)
Present value of minimum lease payments	22 581 918	6 185 707
Present value of minimum lease payments due		
- within one year	5 914 899	4 470 332
- in second to fifth year inclusive	16 667 019	1 715 375
	22 581 918	6 185 707
Non-current liabilities	16 666 973	1 715 376
Current liabilities	5 914 899	4 470 332
	22 581 872	6 185 708

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The assets leased includes vehicles and laptops.

Wesbank Lease Agreement

The average lease term was 3-5 years and the average effective borrowing rate for Vehicles was 10% to 12% (2017: 10% to 12%)

Interest rates are linked to prime at the contract date.

ABSA Lease Agreements

The municipality has entered into a new finance lease agreement with ABSA during 2017/2018 financial year to finance plant and machinery.

The average lease term is 3-5 years and the fixed borrowing rate for vehicles is 10.25%.

Interest rates are fixed at the contract date.. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

All leases have fixed repayments and no arrangements have been entered into for contingent rent. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Human Settlements Housing Grant	290 487	-
Fresh Produce Market Grant	245 500	-
Housing Projects Grant	9 900 153	9 900 153
Baseline Study Grant	-	46 438
Rural Development Grant	-	2 724 658
Spatial Planning and Baseline Study Grants	-	7 088
Local Government Sectorial Education and Training Authority Grant	54 615	6 100
Massification Grant	-	2 211 150
Community Service Centre Grant	-	4 829 472
	10 490 755	19 725 059

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13. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance received by the municipality. Unfulfilled conditions remains a liability at year end and are disclosed in the statement of financial position.

See note 18 for reconciliation of grants from National/Provincial Government.

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Interest costs	Increase in future value	Total
Environmental rehabilitation	4 158 844	-	129 340	159 368	4 447 552
Performance Bonuses	637 120	11 499	-	-	648 619
	4 795 964	11 499	129 340	159 368	5 096 171

Reconciliation of provisions - 2017

	Opening Balance	Additions	Interest costs	Increase in future value	Payments	Total
Environmental rehabilitation	3 957 161	-	79 024	122 659	-	4 158 844
Performance bonuses	607 902	637 120	-	-	(607 902)	637 120
	4 565 063	637 120	79 024	122 659	(607 902)	4 795 964

Non-current liabilities	4 286 106	4 029 504
Current liabilities	810 065	766 460
	5 096 171	4 795 964

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal. It is calculated as the present value of the future obligation discounted at 3.63% over a nil remaining useful life.

Balance of the provision for landfill site rehabilitation R4 447 552 (2017-R 4 158 844)

Increase in the cost of property, plant and equipment R159 368 (2017-R122 659).

The provisions includes the Section 57 employees performance bonuses.

15. Payables from exchange transactions

Trade payables	6 320 717	5 384 765
Payments received in advanced	874 815	635 648
Retention	11 512 136	9 089 246
Leave pay accrual	4 307 858	3 440 294
Unallocated Receipts	155 865	49 829
Sundry Payables	93 436	138 047
13th Cheque Accrual	1 457 842	1 120 140
Department of Water Affairs	-	104 344
	24 722 669	19 962 313

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Figures in Rand	2018	2017
16. Property rates		
Rates received		
Residential	13 145 549	8 126 699
Commercial	3 856 158	3 330 659
State	6 138 350	4 753 628
Municipal	813 118	383 493
Small holdings and farms	7 077 109	5 887 169
Communal Land	3 027 017	2 299 550
Other Properties	7 733 983	10 933 940
Less: Income forgone	(13 079 877)	(10 523 939)
	28 711 407	25 191 199
Property rates - penalties imposed	5 554 215	4 546 727
	34 265 622	29 737 926

Valuations

Residential	1 237 916 000	1 054 384 000
Commercial	355 370 000	418 083 000
State	747 570 000	606 330 012
Municipal	96 650 000	48 275 000
Small holdings and farms	3 447 378 000	3 000 564 000
Communal Land	381 550 000	293 310 000
Other	1 502 030 401	1 756 012 100
	7 768 464 401	7 176 958 112

Valuations on properties are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Interim valuations have been received for the 2017/18 financial year.

Assessments rates are determined by applying the following cents in the rand on the market valuation:

Agriculture properties used for agriculture purposes	0.00207	0.00196
Business and commercial properties	0.00831	0.00784
Industrial properties	0.00831	0.00784
Municipal properties, land reform, informal settlements, public worship	0.00831	0.00784
Public service infrastructure and Public benefit organisations	0.00207	0.00196
Residential Properties and State	0.00831	0.00784
Communal Land, Privately Developed, Tourism and Hospitality	0.00831	0.00784
Municipal properties binded by lease agreement	0.00831	0.00784

Rebates granted to:

Agricultural and Agricultural small holdings	20 %	20 %
Place of Worship, Communal Land and Municipal Property	100 %	100 %
Privately Developed Estates	20 %	20 %
Public Service Infrastructure	100 %	100 %
Residential small holding and rural residential	20 %	20 %

A rebate is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties. Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85 000 of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

Pensioners receive a 50% rebate on application. The rebate is applied on a sliding scale between the maximum allowed for indigent and a limit income of R14 000 per month. A 5% discount is applicable to rates settled on calculation, application and paid in advance for a specific financial year.

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16. Property rates (continued)

Rates are levied on an annual basis over 12 monthly instalments with the final date for payment being 31 July 2018.

Interest at a fixed rate of 18% per annum (2017: 18 %) is levied on the rates outstanding one month after due date.

17. Service charges

Refuse removal	2 438 098	2 022 856
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18. Government grants and subsidies

Operating grants

Equitable Share	102 863 000	96 932 000
Financial Management Grant (FMG)	1 900 000	1 825 000
Integrated National Electrification Programme Grant (INEP)	13 000 000	11 500 000
Expanded Public Works Programme (EPWP)	3 911 000	2 934 000
Local Government Sectorial Education and Training Authority (LG SETA)	792 985	1 149 500
Massification Grant	2 211 150	14 215 026
	<u>124 678 135</u>	<u>128 555 526</u>

Capital grants

Municipal Infrastructure Grant (MIG)	33 742 045	27 014 000
Fresh Produce Market	1 254 500	-
Bergville Community Service Centre Grant	12 329 472	2 670 528
Department of Rural Development Grant	12 724 658	7 275 342
	<u>60 050 675</u>	<u>36 959 870</u>
	<u>184 728 810</u>	<u>165 515 396</u>

Equitable Share

Current-year receipts	<u>102 863 000</u>	<u>96 932 000</u>
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In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.

Finance Management Grant (FMG)

Current-year receipts	1 900 000	1 825 000
Conditions met - transferred to revenue	(1 900 000)	(1 825 000)
	<u>-</u>	<u>-</u>

This grant was used for implementation of MSCOA, Municipal Finance Management Programme and payments of interns. No funds were withheld.

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18. Government grants and subsidies (continued)

Art and Culture Subsidy

Balance unspent at beginning of year	-	-
Current-year receipts	212 000	201 000
Conditions met - transferred to revenue	(212 000)	(201 000)
	-	-

This Subsidy is for cybercadet from Arts and Culture. No funds are withheld.

Gijima KZN - Baseline Study Grant

Balance unspent at beginning of year	46 438	46 438
Other - transferred to revenue as per the Council resolution	(46 438)	-
	-	46 438

This grant is used for the local economic development study. No funds were withheld.

Spatial Planning Grant

Balance unspent at beginning of year	7 088	7 088
Other - transferred to other revenue as per the Council resolution	(7 088)	-
Balance unspent	-	7 088

This grant was used for the development and improvement of the Municipality's spatial planning. No funds were withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	33 742 000	27 014 000
Conditions met - transferred to revenue	(33 742 000)	(27 014 000)
	-	-

The grant is for the implementation of projects approved by MIG. No funds were withheld.

Massification Grant (Cogta)

Balance unspent at beginning of year	2 211 150	10 316 176
Current-year receipts	-	6 110 000
Conditions met - transferred to revenue	(2 211 150)	(14 215 026)
	-	2 211 150

This grant is for Electrification of households for Dukuza, Ebusingatha and Sandlwana Electrification project. No funds were withheld.

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18. Government grants and subsidies (continued)

Cogta- Fresh Produce Market

Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 254 500)	-
	245 500	-

Conditions still to be met - remain liabilities (see note 13).

This grant is for operations of the Fresh Produce Market. No funds were withheld.

Department of Human Settlements grant

Current-year receipts	290 487	-
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Conditions still to be met - remain liabilities (see note 13).

This grant is for Housing. No funds were withheld.

Integrated National Electrification Programme (INEP)

Current-year receipts	13 000 000	11 500 000
Conditions met - transferred to revenue	(13 000 000)	(11 500 000)
	-	-

This grant is for the electrification of households. No funds were withheld.

Housing Projects

Balance unspent at beginning of year	9 900 153	9 900 153
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Conditions still to be met - remain liabilities (see note 13).

The grant is for the construction of housing. The Housing Projects grant revenue is currently part of the forensic investigation, which is ongoing. The projects identified for funding have already been paid for by the Department of Human Settlements and the Municipality is engaging with the department of Human Settlements in resolving the issues of the investigations.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	3 911 000	2 934 000
Conditions met - transferred to revenue	(3 911 000)	(2 934 000)
	-	-

This grant is for the salaries and operational costs of the contract employees for Extended Public Works Programme. No funds were withheld.

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18. Government grants and subsidies (continued)

Local Government Sectorial Education and Training Authority Grant (LG SETA)

Balance unspent at beginning of year	6 100	-
Current-year receipts	841 500	1 155 600
Conditions met - transferred to revenue	(792 985)	(1 149 500)
	54 615	6 100

Conditions still to be met - remain liabilities (see note 13).

This grant is provided for the Work Integrated Learning Programme in implementing the National Skills Development Strategy for the provision of experiential training to further education and training of graduates. No funds were withheld.

Community Service Centre Grant

Balance unspent at beginning of year	4 829 472	-
Current-year receipts	7 500 000	7 500 000
Conditions met - transferred to revenue	(12 329 472)	(2 670 528)
	-	4 829 472

The grant is for the construction of the Community Service Centre. No funds were withheld.

Rural Development Grant

Balance unspent at beginning of year	2 724 658	-
Current-year receipts	10 000 000	10 000 000
Conditions met - transferred to revenue	(12 724 658)	(7 275 342)
	-	2 724 658

This grant is for the Construction of the Sports Complex. No funds were withheld.

19. Public contributions and donations

Public contributions and donations	-	243 838
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No donations received as at 30 June 2018.

20. Other income

Business Licenses	16 419	30 991
Fees for photocopies and subscriptions	60 629	66 909
Rates Clearance	29 591	24 649
Tenders	237 612	228 496
Valuation Roll	1 579	3 377
Taxi Rank Fees	19 241	16 666
Sundry Revenue	185 422	154 194
	550 493	525 282

Included in Sundry revenue are the unclaimed monies recognised as Revenue e.g. Water Affairs fees, hall deposits, unknown deposits, business fees and photocopies.

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21. General expenses		
Advertising	530 104	442 298
Arts and culture	-	1 283 263
Audit committee fees	241 536	264 574
Auditors remuneration	1 899 987	1 559 433
Awareness initiatives	-	8 355
Bank charges	58 124	44 960
Communications and public relations	133 000	332 262
Community outreach	-	137 715
Conferences and seminars	5 000	142 450
Consulting and professional fees	6 207 855	4 169 825
Consumables	2 735 522	4 310 690
Disaster and emergencies	16 758	252 000
Education support	1 093 562	1 119 119
Electricity	1 883 904	1 394 994
Subsistence and travelling reimbursement	1 983 745	2 075 277
Electrification projects	14 634 552	23 507 764
Refreshments	432 017	-
Free basic electricity	910 657	2 007 699
Fuel and oil	5 933 689	5 218 601
IT expenses	1 665 260	963 344
Indigent support	117 665	1 514 153
Insurance	864 924	509 894
Job creation	-	4 156 981
Learnership programme	714 518	1 008 334
Local Economic Development	-	359 250
Marketing	39 866	582 269
Medical expenses	16 770	-
Pauper burials	206 800	186 800
Postage and courier	137 007	74 031
Sub-contracting services	2 620 388	1 849 087
Printing and stationery	950 483	590 623
Protective clothing	-	222 760
Public participation	2 331 528	2 025 808
Rental of offices and office machines	429 360	430 572
Traffic signs and roadmarkings	89 763	-
License fees	968 411	613 483
SMME fund	7 015 570	6 312 478
Scholar patrol	62 260	89 820
Security (guarding of municipal property)	3 288 655	3 161 695
Small tools	-	54 150
Sport promotions	2 054 373	2 435 470
Strategic planning	524 433	449 663
Subscriptions and membership fees	703 368	505 383
Telephone and fax	2 426 951	2 498 764
Tourism development	187 200	427 098
Training	1 481 157	1 304 838
Uniforms	570 372	125 993
Valuation expense	702 895	339 114
Ward committee	795 000	539 000
Water	175 526	314 812
	69 840 515	81 916 946

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22. Employee related costs

Basic	45 690 604	35 539 832
Bonus	3 450 544	2 867 328
Medical aid - company contributions	1 361 060	1 280 863
UIF	400 162	307 073
WCF	785 467	-
SDL	664 623	434 729
Leave pay provision charge	1 974 949	1 260 696
Overtime payments	2 212 858	1 928 084
Long-service awards	214 580	224 897
Car allowance	2 719 669	2 701 471
Housing benefits and allowances	429 407	485 633
SALGA	11 971	16 381
Provident Fund	-	1 720 583
Post employee benefits- Pension	7 089 125	4 269 496
	67 005 019	53 037 066

Remuneration of Municipal Manager

Annual Remuneration	970 608	934 957
Car Allowance	180 000	170 000
Performance Bonuses	153 392	136 578
	1 304 000	1 241 535

Remuneration of Chief Finance Officer

Annual Remuneration	527 210	671 244
Car Allowance	162 000	206 000
Performance Bonuses	-	116 799
Housing Allowance	37 500	90 000
	726 710	1 084 043

Remuneration of Director Social Services

Annual Remuneration	654 408	617 886
Car Allowance	168 000	158 000
Performance Bonuses	123 807	116 799
Housing Allowances	120 000	120 000
	1 066 215	1 012 685

Remuneration of Director Technical Services

Annual Remuneration	606 885	570 362
Car Allowance	192 000	182 000
Housing Allowances	142 857	142 857
Performance Bonuses	123 807	116 799
	1 065 549	1 012 018

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Figures in Rand	2018	2017
22. Employee related costs (continued)		
Remuneration of Director Corporate Services		
Annual Remuneration	941 188	706 870
Car Allowance	184 400	168 000
Performance Bonuses	151 085	120 928
	1 276 673	995 798
23. Remuneration of councillors		
Councillors	10 181 754	9 065 189
SDL and UIF	100 306	82 682
	10 282 060	9 147 871
Mayor		
Annual Remuneration	799 513	642 864
Travel Allowance	-	109 009
Cellphone Allowance	40 800	22 666
SDL	8 403	7 372
	848 716	781 911
Deputy Mayor		
Annual Remuneration	640 331	515 114
Travel Allowance	-	87 481
Cellphone Allowance	40 800	22 875
SDL	6 811	5 912
	687 942	631 382
Speaker		
Annual Remuneration	640 331	515 114
Travel Allowance	-	87 481
Cellphone Allowance	40 800	22 666
SDL	6 811	5 772
	687 942	631 033
Exco		
Annual Remuneration	1 009 854	821 763
Travel Allowance	-	143 203
Cellphone Allowance	122 400	69 871
Subsistence and travel reimbursements	23 734	33 456
SDL	11 339	9 447
	1 167 327	1 077 740
Councillors		
Annual Remuneration	5 879 797	4 720 467
Travel Allowance	35 841	765 712
Cellphone Allowance	931 287	518 903
Subsistence and travel reimbursements	58 930	65 584
SDL	66 941	54 179
	6 972 796	6 124 845

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23. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has four full-time bodyguards/drivers and the use of a Council owned vehicle.

The Deputy Mayor has three full-time bodyguards/drivers and the use of a Council owned vehicle.

The Speaker has three full-time bodyguards/drivers and the use of a Council owned vehicle.

Accounting Officer's certification of Councillors remuneration

The Accounting Officer certifies that the salaries, allowances and benefits of Councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

Subsistence and travelling reimbursement

The councillors' subsistence and travelling reimbursement R82 664.43 is included under general expenses in the statement of Financial Performance.

24. Debt impairment

Debt impairment - Consumer Debt	8 393 769	13 075 701
Debt impairment-Traffic Fines	183 938	243 372
	8 577 707	13 319 073

Debt impairment for consumer debtors comprises of R8 205 732. Increase in provision from 2017:R25 114 995 and 2018 R33 320 726. Included in the Debt impairment is R7245 sundry debtor written off and R128 788.05 bad debts written off.

Debt impairment for traffic fines comprises of R183 938 total impairment.

25. Interest received

Interest revenue

Interest received - Current Account	1 684 033	1 132 899
Interest received - Investments	2 175 207	2 224 709
	3 859 240	3 357 608

26. Depreciation and amortisation

Property, plant and equipment	18 578 276	17 557 445
Intangible assets	436 949	367 849
	19 015 225	17 925 294

Refer to reconciliation in note 3 and 4 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

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Figures in Rand	2018	2017
27. Finance costs		
Finance leases	1 272 882	1 034 235
28. Auditors' remuneration		
Fees	1 899 987	1 559 433
29. Operating lease		
<p>The Municipality entered into a new operating lease agreement as from 01 July 2017 for a period of 3 years from RICOH, leasing 07 photocopier machines and a monthly rental expense is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.</p> <p>The Municipality further entered to a new operating lease agreement as from 01 July 2017 for a period of 9 years with MZ Hlatshwayo. Leasing a land for the pound and landfill site. The payment is to made in two equal payments within 2 financial years starting from the 2017/2018 and 2018/2019 financial years. Operating lease payment is accounted for in the Statement of Financial Performance and prepaid expense is accounted for in the Statement of Financial Position. The lease term is 9 years with 0% escalation.</p>		
Minimum Lease Due - Photocopier		
1 year	1 288 311	1 248 587
2 - 3 years	1 288 311	2 497 173
	2 576 622	3 745 760
Minimum Lease Due - Landfill site and Pound		
1 year	1 250 000	-
30. Cash generated from operations		
Surplus	52 484 435	29 347 079
Adjustments for:		
Depreciation and amortisation	19 015 224	17 925 293
Profit / Loss on sale of assets and liabilities	817 954	65 688
Finance costs - Finance leases	1 272 882	1 034 235
Impairment deficit	489 998	-
Debt impairment	8 577 707	13 319 073
Movements in retirement benefit assets and liabilities	184 196	(20 048)
Movements in provisions	300 207	230 901
Changes in working capital:		
Receivables from exchange transactions	(516 919)	(405 548)
Consumer debtors	(13 455 534)	(9 029 894)
Other receivables from non-exchange transactions	(16 965)	(258 342)
Payables from exchange transactions	4 760 360	4 322 071
VAT	(2 577 241)	(110 481)
Unspent conditional grants and receipts	(9 234 304)	(607 852)
	62 102 000	55 812 175

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31. Commitments

Authorised capital expenditure

Approved & contracted for

• Capital Projects	59 069 144	73 028 811
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Approved but not yet contracted for

• Capital Projects	6 798 227	9 850 108
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Authorised operational expenditure

Approved and contracted for

• Operational projects already contracted for	13 785 243	7 519 971
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Approved but not yet contracted for

• Operational projects not yet contracted for	14 797 168	6 664 436
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32. Contingent liabilities

No contingent liabilities exist for the period ended 30 June 2018 (2017: R Nil).

Contingent assets

No contingent assets exist for the period ended 30 June 2018 (2017:R Nil)

33. Change in Estimate

At 30 June 2018, there were assets which had reached their useful life and their useful lives were revised based on the conditions in terms of GRAP 17 paragraph 56.

The effect of this revision has decreased the depreciation charge for the current by R80 659.52 on computer equipment, Furniture and Machinery and an increase in Infrastructure assets of R23 181.35.

The effect on the future annual depreciation cost will be as follows:

	Depreciation per annual before	Depreciation per annual after	Difference (Future change in depreciation per annual)
Computer Equipment	50 209	13 429	36 779
Office Furniture	53 959	10 767	43 193
Machinery and Equipment	964	277	688
	105 132	24 473	80 660
	Depreciation per annum before	Depreciation per annum after	Difference (Future change in depreciation per annum)
Infrastructure	28 002	51 183	(23 181)

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34. Prior period errors

Prior year error was a result of a reclassification from Receivables from exchange transactions to Receivables from non-exchange transactions.

Prior period error is a result of Communal Land properties billing adjustment, no exemption previously applied as per the municipal tariff policy of 100% exemption.

The correction of the error(s) results in adjustments as follows:

		Previously stated	Reclassification	Correction of error	Restated
Statement of Financial Position					
Receivables from non-exchange transactions	7	485 294	123 156	-	608 450
Receivables from exchange transactions	6	657 957	(123 156)	-	534 801
Consumer debtors	9	20 654 617	-	(5 080 905)	15 573 712
Payables from exchange transaction	15	19 914 859	-	47 454	19 962 313
Accumulated surplus		19 914 859	-	47 454	19 962 313
		297 932 160	-	(5 128 359)	292 803 801
		297 932 160	-	(5 128 359)	292 803 801
Property Rates		26 201 914	-	(1 010 715)	25 191 199
Property rates - penalties imposed	16	5 119 281	-	(572 554)	4 546 727

35. Risk management

Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Other: Lease obligation	5 914 899	4 470 332
Trade and Other Payables	24 722 669	19 962 313
Maximum liquidity exposure	30 637 568	24 432 645

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35. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Cash and cash equivalents	29 591 731	31 376 087
Trade and other receivables	20 808 816	16 108 513

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash and Cash Equivalents	29 591 731	31 376 087
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Price risk

Due to legislative restrictions, the municipality does not trade these investments.

36. Events after the reporting date

No events after the reporting date 30 June 2018.

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37. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	776 395	776 395
Interest and penalties	35 366	1 186
Written off by Council	(24 352)	(1 186)
	787 409	776 395

Opening balance

An amount of R776 395 is a result of misconduct by a former employee during 2014/2015 financial year, a case was opened against the employee for payments made to ghost employees and the case is currently under investigation by the South African Police Service. The municipality is experiencing delays from the prosecutor in finalising this case.

Incidents 2017/2018

Included in fruitless and wasteful expenditure R23 712 relates to interest charged by Eskom, Telkom, Wesbank and Uthukela District Municipality for late payments. An amount of R15 000 relates to misuse of fuel by municipal officials and recovered by the Council. An amount of R11 654.26 relates to misuse of petrol cards by municipal official and the official was dismissed. Funds will be recovered from the due leave days payout of the official.

38. Irregular expenditure

Opening balance	14 124 849	14 124 849
Quotation	-	68 319
Written off by Council	(303 000)	(68 319)
	13 821 849	14 124 849

Opening balance

This relates to forensic investigations related to prior years 2007/2008, 2008/2009 and 2009/2010. The reports that have been concluded have been reported to the South African Police Services and included in irregular expenditure. The amounts are yet to be written off by Council, pending the outcome of the court cases.

Incidents 2017/2018

An amount of R303 000 was disclosed in 2015/2016 financial year as a deviation instead of irregular expenditure. Deviations done combined instead of individually per incident.

Investigations in progress

The forensic investigation regarding the missing documents in respect of the 2007/2008, 2008/2009 and 2009/2010 financial periods is now closed. The reports that have been concluded have been reported to the South African Police Services and included in irregular expenditure. The outcome from the South African Police Services indicated that the docket has been closed as a result of outstanding documents. Correspondence will be sent to COGTA as they are the ones who initiated the investigation to confirm closure.

39. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1 899 987	1 559 433
Amount paid - current year	(1 899 987)	(1 559 433)
	-	-

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39. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	10 819 809	9 212 697
Amount paid - current year	(10 819 809)	(9 212 697)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	12 202 485	10 718 721
Amount paid - current year	(12 202 485)	(10 718 721)
	-	-

VAT

VAT receivable	6 937 455	4 360 214
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VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date to SARS throughout the year.

Councillors' arrear consumer accounts

For the financial year ended 30 June 2018, there were no rates or services arrears owed by any councillor. Further, during the financial year there are no councillors which were outstanding for more than 90 days.

Supply chain management regulations

Quotations: In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to emergencies and instances where it was impractical to follow SCM processes.

Quotations	1 760 254	2 205 634
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